

Message Text

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44

ACTION NEA-16

INFO OCT-01 EUR-25 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03

SS-20 USIA-15 AID-20 COME-00 EB-11 FRB-02 TRSE-00

XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 INT-08

FEAE-00 AGR-20 DRC-01 /207 W
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R 131233Z JUN 74

FM AMEMBASSY TEHRAN
TO SECSTATE WASHDC 6870
INFO AMEMBASSY BEIRUT
AMEMBASSY BONN
EC BRUSSELS 483
AMEMBASSY KUWAIT
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME

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E.O. 11652: N/A

TAGS: EIND, PFOR, IR, IT

SUBJECT: IRAN/ITALY ECONOMIC RELATIONS

1. SUMMARY: LARGE ITALIAN INVESTMENT IN IRAN OVER NEXT YEARS
APPEARS LIKELY. RECENT VISIT OF IRANIAN COMMERCE MINISTER TO
ROME RESULTED IN IMPRESSIVE LIST OF POSSIBLE JOINT VENTURES.
END SUMMARY.

2. RESULTS OF LAST WEEK'S VISIT TO ITALY OF IRANIAN COMMERCE
MINISTER FEREIDUN MAHDAVI HAVE BEEN REPORTED IN TEHRAN PAPERS
AS INVOLVING INVESTMENTS OF \$3-5 BILLION. OFFICIAL GOI PRESS
RELEASE ON SUBJECT IS HEADED "BIGGEST AGREEMENT IN COMMERCIAL
RELATIONS AND ECONOMIC COOPERATION HISTORY OF IRAN WITH FOREIGN
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COUNTRY SIGNED."

3. SPECIFIC PROJECTS MENTIONED INCLUDE (1) ESTABLISHMENT OF JOINT NIOC/ENI COMPANY. ACCORDING TO ITALIAN COMMERCIAL ATTACHE CIANO, THIS WOULD INVOLVE "DOWNSTREAM" CONSTRUCTION OF REFINERY IN ITALY. PETROCHEMICAL FACILITY WOULD BE CONSTRUCTED IN IRAN AND POSSIBLY IN OTHER COUNTRIES. (2) ITALY TO PARTICIPATE IN ESTABLISHING STEEL INDUSTRY IN BANDAR ABBAS AREA AND TO ASSIST IN PORT DEVELOPMENT INCLUDING CONSTRUCTION OF SHIP-BUILDING FACILITIES. (3) CONSTRUCTION OF 30,000 TON ANNUAL CAPACITY ALUMINUM FACTORY. (4) CONSTRUCTION OF 40,000 TON ANNUAL CAPACITY RUBBER TIRE PLANT. (5) "COOPERATION" IN DEVELOPMENT OF IRANIAN TEXTILE INDUSTRY. VISCOSE PLANT WITH 30,000 TON ANNUAL CAPACITY TO BE CONSTRUCTED, AND POSSIBILITY OF PRODUCING VELVET, TOWELLING, AND READY-MADE CLOTHING TO BE EXPLORED. (6) ITALY TO COOPERATE IN IMPROVING IRANIAN CAPACITY FOR SETTING UP ENGINEERING AND PLANNING COMPANIES FOR MANUFACTURE OF CONSTRUCTION EQUIPMENT, POWER TRANSMISSION TOWERS, AND FOOD PROCESSING AND TEXTILE MANUFACTURING EQUIPMENT. (7) ITALY TO PROVIDE TECHNICAL ASSISTANCE FOR BUILDING CONSTRUCTION AND ROAD BUILDING. TWO COUNTRIES TO ESTABLISH ENGINEERING COMPANY FOR HIGHWAY DEVELOPMENT IN IRAN. (8) JOINT VENTURE FOR MEAT AND MILK PRODUCTION, PROCESSING, AND DISTRIBUTION IN REZAYIEH. (9) ITALY TO ASSIST IN TOURISM PROMOTION AND BUILDING OF HOTELS ALONG CASPIAN COAST.

4. OFFICIAL PRESS RELEASE ALSO NOTES ITALIAN WILLINGNESS TO "PROTECT" IRAN IN ITS NEGOTIATIONS WITH EEC AND ITALIAN AGREEMENT TO CONSIDER SUPPLYING IRAN NEEDED IMPORTS SUCH AS PAPER, CHEMICALS, SYNTHETIC FIBERS, AND SHIPS WITH COLD STORAGE EQUIPMENT.

5. ITALIAN AMBASSADOR TOLD POLCOUNS THAT HE EXPECTS ITALIAN ROLE IN ROAD BUILDING TO BE VERY IMPORTANT, AND THAT INVESTMENT TOTALS REPORTED IN PRESS ARE AMOUNTS EXPECTED OVER NEXT SEVERAL YEARS. CIANO, WHO WAS IN ITALY FOR VISIT, TOLD EMBOFF \$3-5 BILLION REPORTED IN PRESS REPRESENTED TOTAL POSSIBLE JOINT INVESTMENT, AND THAT ITALIAN SHARE WILL BE NEGOTIATED LATER ON, PROJECT BY PROJECT. HE EXPRESSED OPTIMISM THAT JOINT VENTURES MIGHT EVENTUALLY TOTAL \$5 BILLION INVESTMENT, HOWEVER, AND NOTED STEEL/PORT DEVELOPMENT/SHIPBUILDING COMPLEX AT BANDAR ABBAS ALONE COULD INVOLVE \$3 BILLION INVESTMENT. HE PROMISED TO SUPPLY ADDITIONAL DETAIL IN FEW DAYS TIME.

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6. COMMENT: BOTH SIDES APPEAR SOMEWHAT MORE POSITIVE ABOUT EVENTUAL FRUITION OF JOINT PROJECTS WITH ITALY THAN HAS BEEN CASE WITH RECENT LARGE PROSPECTIVE INVESTMENTS BY OTHER EUROPEAN COUNTRIES SUCH AS GERMANY, FRANCE, AND BRITAIN. AS WITH OTHERS, HOWEVER, DETAILS FOR MOST PART REMAIN TO BE WORKED OUT, AND SOME PROJECTS CAN BE EXPECTED TO FALL BY WAYSIDE. FOR EXAMPLE, SEVERAL FIRMS FROM OTHER COUNTRIES ARE KNOWN TO BE

INTERESTED IN CONSTRUCTING STEEL PLANT AT BANDAR ABBAS.
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